

FY 2004 FULL COST ALLOCATION PLAN

FOR

THE POLICE DEPARTMENT OF

THE CITY OF HOUSTON, TEXAS

Based on the Actual Expenditures

For the Fiscal Year Ended June 30, 2002

TABLE OF CONTENTS

I. Introduction

II. FY 2004 HPD Full Cost Allocation Plan

I. INTRODUCTION

INTRODUCTION

Prepared by the Department of Finance and Administration, City of Houston, Texas, (the City), the **FY 2004 Full Cost Allocation Plan** (the Plan) for indirect services provided by the **Police Department** of the City is based on the actual expenditures for the **fiscal year ended June 30, 2002** (the base year).

METHODOLOGY

The Plan has been prepared in conformity with Generally Accepted Accounting Principles applied on a consistent basis. A consistent approach has been followed in the treatment of costs as direct or indirect costs; in no case have costs that have been charged as direct costs to programs been included as indirect costs. Expenditure information has been obtained from the City's expenditure reports for the base year. Statistics used to allocate costs are from full base year's or a representative sample period's data.

A double step-down allocation procedure has been used to distribute costs of central services to other Police Department divisions that receive benefits (the user division). The procedure initially requires a sequential ordering of divisions. Division indirect cost allocations are then made in the order selected to all user divisions. To ensure that the cross-benefit of services among central service divisions is fully accounted for, a second

step-down allocation from each central service division is made.

Costs allocated from each Police Department central service, consist of the following:

First Allocation - the actual operating expenditures for the division, plus all allocated costs from other central service divisions which have been identified up to this point.

Second Allocation - costs from other divisional central services made subsequent to that department's first allocation.

FORMAT

A Table of Contents (the Table) is included at the beginning of the Plan. The allocation of costs has been accomplished in the same order as shown in the Table. The Table also facilitates the ready identification of the following Summary Data and Detail Data of the Plan:

Summary Data - Three summary schedules are provided at the beginning of the Plan.

(1) Allocated Costs By Department (Schedule A) - provides the costs allocated from each central service division to each user division. The central service divisions are listed on the left side of the page and the user divisions detailed in the Plan are listed across the top with a total listed on the last page of the schedule.

(2) Summary of Allocated Costs (Schedule C) - shows the total expenditures and cost

adjustments allocated by central service divisions. The total \$ amount allocated to each user division is also shown.

(3) Summary of Allocation Basis (Schedule E) - provides the basis used to allocate the costs for each function of every central service division.

Detail Data

Sections on each central service are presented in the following format:

(1) Nature and Extent of Services - a narrative description of the central service and each function that is identified. Also, described are the allocation basis used for each function and any other relevant information on expenditures.

(2) Costs to be Allocated - presents the total costs to be allocated based on the actual expenditures from the financial statements. Allocated additions represent costs allocated to a central service division from other central service divisions.

(3) Costs to be Allocated by Function - Costs for each central service division are listed by function to the extent deemed necessary to ensure the application of allocation basis which most closely correlate with the benefits received by user divisions. Total costs allocated are the same as reflected on the previous schedule. Functions of the central service division are listed across the top of the page.

(4) Detail Allocation - A detailed schedule of the allocation of each function is

provided on all allocated functions except for General Administration. Costs of General Administration are re-allocated to all other divisional functions based on functional costs. The schedule lists the user division's allocation of each function of the central service division.

(5) Divisional Cost Allocation Summary - The last schedule in each central service division provides a summary of the costs allocated by function. The user divisions are listed on the left side of the page and the service functions are listed across the top of the page.